



FEDERAL TRADE COMMISSION

[File No. 202 3111]

Kushly Industries LLC; Analysis of Proposed Consent Order to Aid Public

Comment

AGENCY: Federal Trade Commission.

ACTION: Proposed Consent Agreement; Request for Comment.

SUMMARY: The consent agreement in this matter settles alleged violations of federal law prohibiting unfair or deceptive acts or practices. The attached Analysis of Proposed Consent Order to Aid Public Comment describes both the allegations in the draft complaint and the terms of the consent order – embodied in the consent agreement – that would settle these allegations.

DATES: Comments must be received on or before [INSERT DATE 30 DAYS AFTER PUBLICATION IN THE *FEDERAL REGISTER*].

ADDRESSES: Interested parties may file comments online or on paper by following the instructions in the Request for Comment part of the **SUPPLEMENTARY**

INFORMATION section below. Please write “Kushly Industries LLC; File No. 202 3111” on your comment, and file your comment online at <https://www.regulations.gov> by following the instructions on the web-based form. If you prefer to file your comment on paper, mail your comment to the following address: Federal Trade Commission, Office of the Secretary, 600 Pennsylvania Avenue NW, Suite CC-5610 (Annex D), Washington, DC 20580, or deliver your comment to the following address: Federal Trade Commission, Office of the Secretary, Constitution Center, 400 7th Street SW, 5th Floor, Suite 5610 (Annex D), Washington, DC 20024.

FOR FURTHER INFORMATION CONTACT: Reid Tepfer (214-979-9395) and Luis Gallegos (214-979-9383), Federal Trade Commission, Southwest Regional Office, 199 Bryan Street, Suite 2150, Dallas, TX 75201.

SUPPLEMENTARY INFORMATION: Pursuant to Section 6(f) of the Federal Trade Commission Act, 15 U.S.C. 46(f), and FTC Rule 2.34, 16 CFR § 2.34, notice is hereby given that the above-captioned consent agreement containing a consent order to cease and desist, having been filed with and accepted, subject to final approval, by the Commission, has been placed on the public record for a period of thirty (30) days. The following Analysis to Aid Public Comment describes the terms of the consent agreement and the allegations in the complaint. An electronic copy of the full text of the consent agreement package can be obtained at <https://www.ftc.gov/news-events/commission-actions>.

You can file a comment online or on paper. For the Commission to consider your comment, we must receive it on or before [INSERT DATE 30 DAYS AFTER PUBLICATION IN THE *FEDERAL REGISTER*]. Write “Kushly Industries LLC; File No. 202 3111” on your comment. Your comment—including your name and your state—will be placed on the public record of this proceeding, including, to the extent practicable, on the <https://www.regulations.gov> website.

Due to the COVID-19 pandemic and the agency’s heightened security screening, postal mail addressed to the Commission will be subject to delay. We strongly encourage you to submit your comments online through the <https://www.regulations.gov> website.

If you prefer to file your comment on paper, write “Kushly Industries LLC; File No. 202 3111” on your comment and on the envelope, and mail your comment to the following address: Federal Trade Commission, Office of the Secretary, 600 Pennsylvania Avenue NW, Suite CC-5610 (Annex D), Washington, DC 20580; or deliver your comment to the following address: Federal Trade Commission, Office of the Secretary, Constitution Center, 400 7th Street SW, 5th Floor, Suite 5610 (Annex D), Washington,

DC 20024. If possible, submit your paper comment to the Commission by courier or overnight service.

Because your comment will be placed on the publicly accessible website at <https://www.regulations.gov>, you are solely responsible for making sure your comment does not include any sensitive or confidential information. In particular, your comment should not include sensitive personal information, such as your or anyone else's Social Security number; date of birth; driver's license number or other state identification number, or foreign country equivalent; passport number; financial account number; or credit or debit card number. You are also solely responsible for making sure your comment does not include sensitive health information, such as medical records or other individually identifiable health information. In addition, your comment should not include any "trade secret or any commercial or financial information which . . . is privileged or confidential"—as provided by Section 6(f) of the FTC Act, 15 U.S.C. 46(f), and FTC Rule 4.10(a)(2), 16 CFR 4.10(a)(2)—including in particular competitively sensitive information such as costs, sales statistics, inventories, formulas, patterns, devices, manufacturing processes, or customer names.

Comments containing material for which confidential treatment is requested must be filed in paper form, must be clearly labeled "Confidential," and must comply with FTC Rule 4.9(c). In particular, the written request for confidential treatment that accompanies the comment must include the factual and legal basis for the request, and must identify the specific portions of the comment to be withheld from the public record. *See* FTC Rule 4.9(c). Your comment will be kept confidential only if the General Counsel grants your request in accordance with the law and the public interest. Once your comment has been posted on the <https://www.regulations.gov> website—as legally required by FTC Rule 4.9(b)—we cannot redact or remove your comment from that website, unless you submit a

confidentiality request that meets the requirements for such treatment under FTC Rule 4.9(c), and the General Counsel grants that request.

Visit the FTC Website at <http://www.ftc.gov> to read this Notice and the news release describing the proposed settlement. The FTC Act and other laws that the Commission administers permit the collection of public comments to consider and use in this proceeding, as appropriate. The Commission will consider all timely and responsive public comments that it receives on or before [INSERT DATE 30 DAYS AFTER PUBLICATION IN THE *FEDERAL REGISTER*]. For information on the Commission's privacy policy, including routine uses permitted by the Privacy Act, see <https://www.ftc.gov/site-information/privacy-policy>.

Analysis of Proposed Consent Order to Aid Public Comment

The Federal Trade Commission ("Commission") has accepted, subject to final approval, an agreement containing a consent order from Kushly Industries LLC and Cody Alt, individually and as an officer of Kushly Industries LLC ("Respondents"). The proposed consent order has been placed on the public record for 30 days for receipt of comments from interested persons. Comments received during this period will become part of the public record. After 30 days, the Commission will again review the agreement and the comments received, and will decide whether it should withdraw from the agreement and take appropriate action or make final the agreement's proposed order. This matter involves the Respondents' advertising of products containing cannabidiol ("CBD Products"). The complaint alleges that Respondents violated Sections 5(a) and 12 of the FTC Act by disseminating false and unsubstantiated advertisements that claimed:

(1) CBD Products effectively treat, mitigate, or cure diseases or health conditions including: sleep disorders, including insomnia and narcolepsy; psychiatric disorders, including depression, bipolar disorder, post-traumatic stress disorder, psychosis, and anorexia nervosa; cancer; multiple sclerosis; Parkinson's disease; hypertension;

Alzheimer's disease; acne, psoriasis, eczema; arthritis; muscle spasms; pain resulting from endometriosis; and dysmenorrhea; and (2) studies or scientific research prove CBD Products effectively treat, mitigate, or cure multiple sclerosis, generalized anxiety disorder, post-traumatic stress disorder, panic disorder, obsessive-compulsive disorder and social anxiety disorder, depression, cancer, sleep disorders, hypertension, Parkinson's disease, Alzheimer's disease, acne, psoriasis, and eczema, and improve sleep.

The order includes injunctive relief that prohibits these alleged violations and fences in similar and related conduct. The product coverage would apply to any dietary supplement, drug, or food Respondents sell or market, including CBD Products.

Part I prohibits Respondents from making any representation about the efficacy of any covered product, including that such product effectively treats, mitigates, or cures diseases or health conditions including: sleep disorders, including insomnia and narcolepsy; headaches; psychiatric disorders, including depression, bipolar disorder, generalized anxiety disorder, panic disorder, obsessive-compulsive disorder and social anxiety disorder; post-traumatic stress disorder, psychosis, and anorexia nervosa; cancer; multiple sclerosis; chronic drowsiness; Parkinson's disease; hypertension; Alzheimer's disease; acne, psoriasis, eczema; arthritis; muscle spasms; pain resulting from endometriosis; and dysmenorrhea; unless the representation is non-misleading, including that, at the time such representation is made, they possess and rely upon competent and reliable scientific evidence that substantiates the representation is true.

For purposes of Part I, competent and reliable scientific evidence must consist of human clinical testing of the covered product, or of an essentially equivalent product, sufficient in quality and quantity based on standards generally accepted by experts in the relevant disease, condition, or function to which the representation relates, when considered in light of the entire body of relevant and reliable scientific evidence, to substantiate the representation is true. Such testing must be: (1) randomized, double-blind,

and placebo-controlled; and (2) conducted by researchers qualified by training and experience to conduct such testing.

Part II prohibits Respondents from making any representation, other than representations covered under Part I, about the health benefits, performance, efficacy, safety or side effects of any covered product, unless the representation is non-misleading, including that, at the time such representation is made, they possess and rely upon competent and reliable scientific evidence sufficient in quality and quantity based on standards generally accepted by experts in the relevant disease, condition, or function to which the representation relates, when considered in light of the entire body of relevant and reliable scientific evidence, to substantiate the representation is true.

For purposes of Part II, “competent and reliable scientific evidence” means tests, analyses, research, or studies that (1) have been conducted and evaluated in an objective manner by experts in the relevant disease, condition, or function to which the representation relates; (2) are generally accepted by such experts to yield accurate and reliable results; and (3) are randomized, double-blind, and placebo-controlled human clinical testing of the covered product, or of an essentially equivalent product, when such experts would generally require such human clinical testing to substantiate the representation is true.

Part III requires that, with regard to any human clinical test or study (“test”) upon which Respondents rely to substantiate any claim covered by the order, Respondents must secure and preserve all underlying or supporting data and documents generally accepted by experts in the field as relevant to an assessment of a test.

Part IV prohibits Respondents from misrepresenting: (1) that any covered product is clinically proven to treat, alleviate, or cure chronic pain, multiple sclerosis, anxiety, depression, cancer, sleep disorders, hypertension, Parkinson’s disease, Alzheimer’s disease, acne, psoriasis, and eczema; (2) that the performance or benefits of a covered

product are scientifically or clinically proven or otherwise established; or (3) the existence, contents, validity, results, conclusions, or interpretations of any test, study, or other research.

Part V provides Respondents a safe harbor for making claims approved by the Food and Drug Administration. Parts VI and VII require Respondents to pay the Commission \$30,583.14 and describe the procedures and legal rights related to that payment. Parts VIII, IX, and X require Respondents to provide customer information to the Commission and to provide notice of the order to customers, affiliates, and other resellers.

Part XI requires Respondents to submit an acknowledgement of receipt of the order, and for the individual Respondent to serve the order on certain individuals, including all officers or directors of any business the individual Respondent controls and employees having managerial responsibilities for conduct related to the subject matter of the order, and to obtain acknowledgements from each individual or entity to which a Respondent has delivered a copy of the order.

Part XII requires Respondents to file compliance reports with the Commission and to notify the Commission of bankruptcy filings or changes in corporate structure that might affect compliance obligations.

Part XIII contains recordkeeping requirements for accounting records, personnel records, consumer correspondence, advertising and marketing materials, and claim substantiation, as well as all records necessary to demonstrate compliance with the order.

Part XIV contains other requirements related to the Commission's monitoring of Respondents' order compliance.

Part XV provides the effective dates of the order, including that, with exceptions, the order will terminate in 20 years.

The purpose of this analysis is to facilitate public comment on the order, and it is

not intended to constitute an official interpretation of the complaint or order, or to modify the order's terms in any way.

By direction of the Commission.

April J. Tabor,

Secretary.

[FR Doc. 2021-10976 Filed: 5/24/2021 8:45 am; Publication Date: 5/25/2021]